

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

Benefits Administrator Memo #03-14

To: Benefits Administrators
From: Mary P. Habel, Director
State and Local Health Benefits Programs
CC: All OHB
Date: October 10, 2003
Re: Open Enrollment for Flexible Reimbursement Accounts

A. What's New

There are significant changes to Flexible Reimbursement Accounts (FRAs) that are effective January 1, 2004:

- Open Enrollment dates of *October 20 – November 21, 2003*.
- A short plan year that extends from *January 1 through June 30, 2004*. The short plan year will serve as a transition period so that FRAs can take effect at the same time as health benefit changes, from July 1, 2004 through June 30, 2005. Open Enrollment for health benefits and FRAs will both be held in the spring beginning in 2004.
- Elections will be based on a *per pay period amount*. The minimum amount will be \$10 per pay period. For the short plan year, contributions may not exceed a total of \$2,500 (the maximum contribution for a Dependent Care FRA depends on the individual's tax filing status). Remember that there is a calendar year limit for Dependent Care FRA contributions. More information is available on the DHRM Web site's Flexible Benefits Program link.
- *Certain over-the-counter drugs* will be eligible for reimbursement under a Medical Expense FRA. These include antacids, cold and allergy medicines, and pain relievers. Fringe Benefits Management Company (FBMC), which administers the Flexible Benefits Program, will provide updates on its Web site at www.fbmc-benefits.com. This change in policy results from a recent Internal Revenue Service ruling. FBMC's Web site will have further information as it becomes available.
- A *new BES process* has been developed for handling FRAs effective January 1 and beyond.

B. Getting Ready for Open Enrollment - Communications

1. Updates to the OHB Contacts Database

The Office of Health Benefits maintains a contacts database for communicating information and distributing materials to agencies. This database permits one Benefits Administrator and one Benefits Manager for each Agency/Group number in BES. We ask that the designated contact share communications with others that may also be responsible for the same Agency/Group number.

EmployeeDirect also uses this database to determine an employee's Benefits Administrator and to notify the Benefits Administrator of an employee action.

When agencies need to replace the names of current Benefits Administrators or Managers on the contacts database, or provide new telephone and fax numbers, mailing, shipping or e-mail addresses, they should contact the Office of Health Benefits. Requests for updates to the contacts database may be sent to Anne Waring or Brenda Kirby.

2. Updates to Employee E-Mail Addresses

It is important that your employees have a correct preferred e-mail address on file in BES to receive an EmployeeDirect passcode. This BES e-mail address may be any e-mail address (work, home, etc.) preferred by the employee.

- EmployeeDirect asks users to verify their preferred e-mail address each time they login.

When the user knows their passcode, *they* may update their preferred e-mail address at any time. If the passcode is not known and the e-mail address is missing or incorrect, the user will be referred to you for assistance. Once you successfully update the e-mail address in BES, the user may immediately revisit EmployeeDirect and request their passcode again.

- When you are asked to update an e-mail address:

Check both the PMIS and BES databases for accuracy. These e-mail addresses may be the same or different. Generally, work e-mail addresses are entered in PMIS and preferred EmployeeDirect e-mail addresses are entered in BES. Use PSE 091 in PMIS and PSB301 with reason code 37 in BES.

3. Distribution of Open Enrollment Materials

Supplies of Open Enrollment materials, including the *Spotlight* newsletter, *Flexible Benefits Sourcebook*, and FRA Election Form, will be shipped to agencies the week of October 13. The *Spotlight* and *Sourcebook* are the official communications for FRA Open Enrollment. If your agency chooses to develop its own Open Enrollment communications, it is the agency's responsibility if incorrect information is provided to employees.

- **Fall *Spotlight* Issue on Short Plan Year**

The October 2003 issue of the *Spotlight* newsletter highlights the changes indicated above relating to the Commonwealth's Flexible Reimbursement Accounts (FRAs) and provides enrollment instructions. Your supply of *Spotlight* is based on the eligible employee count for your agency in BES plus 8 percent. A limited number of extra copies may be ordered using the special form enclosed with your shipment (also see attached form). Remember that it is your responsibility to distribute *Spotlight* to all employees eligible for health benefits and Flexible Reimbursement Accounts. In addition to active employees, eligible employees include those classified employees now working at least a 32-hour week, those on leave, those off-site and those who previously waived coverage. A copy of *Spotlight* is enclosed.

- **2004 Flexible Benefits Sourcebook**

A copy of the 2004 *Flexible Benefits Sourcebook* is attached. For your convenience, we are distributing a supply (5% of eligible employees) to each agency based on the Benefits Administrator contacts list. It is your responsibility to provide a *Sourcebook* to all employees who enroll in an FRA. If you wish to order more copies of the Flex Sourcebook, please use the State Materials Order Form.

- **Electronic Communications**

A special Open Enrollment section for Flexible Reimbursement Accounts may be found on the front page of the DHRM Web site and under the Announcements section for Compensation and Benefits. You may also download *Spotlight*, the Flex *Sourcebook*, the FRA Election Form, an FRA poster to place in visible locations at your agency, an FRA Fact Sheet for use with employees and the State Materials Order Form. An FRA Power Point presentation will be available on the DHRM Web site soon.

If you choose to share communications with employees electronically, please follow these important guidelines:

1. To receive benefit information electronically, the recipient must have work- related access to a personal computer. Do not send benefit information electronically if you are not sure of this access. When in doubt, distribute printed material.
2. Work-related access means that employees are able to access documents at any location where they reasonably could be expected to perform employment duties.
3. Access to the employer's electronic information must be an integral part of their day-to-day work responsibilities.

C. The Enrollment Process: Online or Paper

All FRA Enrollment elections must be received on or before Friday, November 21 and are effective January 1 – June 30, 2004. Eligible employees may enroll by using EmployeeDirect, by completing an FRA election form or by completing the FRA section of the Enrollment Form for Active Employees. *Note:* Be aware that the FRA section of the enrollment form has an incorrect minimum per pay period amount. The form will be reprinted for spring Open Enrollment.

Please encourage your employees to enroll as early as possible and to use Employee Direct to reduce overall program expenses. EmployeeDirect is quick, easy, and available 24 hours a day from any computer with Internet access. Having employees enter their FRA elections using EmployeeDirect eliminates the paper enrollment form and automatically updates BES, saving your agency time and money.

1. Using EmployeeDirect

The EmployeeDirect Web site at <http://edirect.state.va.us> has links for *Step-By-Step Instructions for Open Enrollment Using EmployeeDirect* and for answers to *Frequently Asked Questions About EmployeeDirect*.

Successful Open Enrollment elections made through EmployeeDirect are approved right away with a confirmation number and a link to the updated Health Benefits Profile that takes effect on January 1. Employees who use EmployeeDirect are advised to review their updated profile and to keep a copy for their records.

When your employee successfully uses EmployeeDirect for Open Enrollment, you will:

- Receive a courtesy e-mail from EmployeeDirect;
- See a BES suspense record for January 1 with the FRA election; and
- Receive the official BES turnaround document for your records.

2. Using a Paper Form

Benefits Administrators must key Open Enrollment elections in BES that are submitted by FRA election form or on an enrollment form. You will be able to enter these elections from October 20 through close of business December 2.

To key an FRA Open Enrollment election:

- Use the PSB200 transaction and reason code 55. For example: PSB200,SSN,55.
- Enter the receive date documented on the FRA election form, the appropriate per-pay dollar amount for each reimbursement account, and then transmit.
- A successful transaction will create a BES suspense record for January 1 with the FRA election and the official BES turnaround document for your records.
- Only one transaction is required when processing enrollment into one or both reimbursement accounts.

3. Handling Suspense Records

Since Open Enrollment elections are effective prospectively, a suspense record is created in BES. Because of the future date, some transactions attempted prior to the effective date of the suspense record may fail. When this happens, the suspense record will have to be deleted, the new transaction entered, and the deleted suspense record re-keyed.

If a BES suspense record prohibits a transaction, follow these steps:

- Use PSB305 to view and screen-print the suspense record.
- Use PSB117 to delete the suspense record.
- Use PSB301 (and/or PSB200) with the appropriate reason code to enter the new transaction. If the new transaction is from EmployeeDirect, the EmployeeDirect e-mail serves as your documentation and authorization in lieu of an enrollment form.
- Re-key the deleted suspense record. After December 2, you must contact OHB for assistance in re-keying an Open Enrollment election.

Contact OHB for assistance if you continue to have difficulty making the change after following these steps. Be sure to include, the SSN, name, and brief description of the problem.

4. FBMC FRA Confirmations

The Office of Health Benefits will be sending Fringe Benefits Management Company (FBMC) the 2004 short plan year enrollment information on December 3, 2003. The data file will include all transactions processed through EmployeeDirect or entered into BES through close of business on December 2.

FBMC will provide a list of your agency's employees and their election amounts. Look for this list in your FTP folder by December 16. Use this report to ensure that payroll deductions for FRAs are set up on a timely basis. FBMC will also send a confirmation before December 31, 2003 to all employees who are included in this file transfer. Employees should be advised to review the confirmation for accuracy. Only clear and convincing errors will be considered by written request.

D. New BES Process for FRAs

A new BES transaction has been developed for entering FRA elections with effective dates beginning January 1, 2004. In addition, BES will automatically provide FBMC with the information needed to document new accounts and qualifying mid-year election changes. FBMC will rely on the information provided by BES for payroll validation. Remember, it is important that all PMIS and BES transactions be entered in a timely manner to avoid FRA payroll discrepancies.

- You will continue to use the PSB301 transaction and fax related information to FBMC for FRA elections due to qualifying mid-year events with effective dates of November 1 or December 1.
- Beginning with FRA elections with an effective date of January 1, 2004 going forward, use the PSB200 transaction. Key PSB200, SSN, and the Reason Code to call-up the FRA transaction. (For example: PSB200,999999999,55 for open enrollment or PSB200,999999999,07 for marriage.)
- The PSB200 automatically calculates the estimated plan year amount (pay period amount times paycode) and validates it against the maximum amount allowed for the plan year. The estimated plan year amount will display at the bottom of the screen with a successful transaction. You do not need to fax a copy of the BES screen print or the enrollment form to FBMC.
- If you find that the paycode on the PSB200 for a PMIS employee is incorrect, it must be corrected using PSE211 before the FRA election is entered. A successful PMIS transaction to correct the pay schedule automatically updates the paycode in BES so you can then enter the accurate FRA election. Paycodes for non-PMIS employees may be corrected on the PSB200 transaction.
- The PSB305 screen displays annual amounts for FRA elections for the current plan year. Beginning with the 2004 short plan year, FRA elections will be displayed as pay period amounts. To see details about the FRA election, tab to the pay period amount and transmit.
- If a qualifying mid-year event that takes effect January 1, 2004 and beyond calls for both a health plan change and a flexible reimbursement account change, two transactions will be required. Use PSB301 for the health plan change *first*, and *then* PSB200 for the reimbursement account change.

Note: The BES Instructions Guide will be updated to include this new transaction early next year.

E. To Contact the Office of Health Benefits

For general information, you may contact the Office of Health Benefits by e-mail at hbp@dhrm.state.va.us, by phone at (804) 371- 6436 or by fax at (804) 371-0231.

If you have a specific request or need immediate assistance, a complete listing of OHB representatives may be found at <http://www.dhrm.state.va.us/hbenefits/contactohb.html>.

Attachments:

Spotlight newsletter
Flexible Benefits Sourcebook
FRA Election Form
FRA Poster
FRA Fact Sheet
Spotlight Order Form (sent with materials)
State Materials Order Form